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February 22, 2008

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PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Dear Ms. O'Donnell:

I enclose for filing the original of Prestonsburg's Supplemental Response to Commission Staff's First Data Request which I filed in your office yesterday (February 21, 2008).

Thank you for your assistance with this and please do not hesitate to contact me if you have any questions.

Very truly yours,

Kipley J. McNally

KJM:jlr
Enclosures
cc: Mr. David M. Ellis

BEFORE THE PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY

In the Matter of:

THE APPLICATION OF AUXIER WATER)
CO., FLOYD COUNTY, KENTUCKY FOR)
AUTHORIZATION OF ITS PROPOSED SALE) CASE NO.
AND CONVEYANCE OF ALL OF ITS WATER) 2007-00488
DISTRIBUTION SYSTEM AND CUSTOMER)
DEPOSITS TO THE CITY OF PRESTONSBURG,)
KENTUCKY)

PRESTONSBURG'S SUPPLEMENTAL RESPONSE
TO COMMISSION STAFF'S
FIRST DATA REQUEST

****CERTIFICATION****

The undersigned, David M. Ellis, being first duly sworn, state that he is the Superintendent of Prestonsburg City's Utilities Commission (herein after "Prestonsburg"), and certifies that he supervised the preparation of the following supplemental responses to First Data Request of the Commission Staff and that they are true and accurate to the best of his knowledge, information and belief formed after a reasonable inquiry.



David M. Ellis, Superintendent

Subscribed and sworn to before me, this 20th day of February, 2008


Notary Public

My Commission expires on: September 26, 2009

PRESTONSBURG'S SUPPLEMENTAL RESPONSE TO COMMISSION
STAFF'S FIRST DATA REQUEST

Comes Prestonsburg, by counsel, and for its Supplemental Response to the Commission Staff's First Data Request in the above-captioned matter, states that it is supplementing its response to only Request Number 5 and therefore, will only repeat Request Number 5 herein.

5. The Acquisition Contract states that the future accrual of interest on Auxier's customer deposits will confirm to, "[w]hatever policies and practices the City has established."

a. Describe the policies and practices Prestonsburg has regarding the accrual and payment of interest on customer deposits.

RESPONSE: Below is a description of Prestonsburg's "unwritten" policy regarding customer deposits.

| | |
|--|------------------|
| Commercial Customers | \$ 200.00 |
| Residential Customers (Water Only) | \$ 100.00 |
| Residential Customers (Water & Sewer) | \$ 150.00 |

Deposits are required only from customers renting properties whether they are residential or commercial.

No interest is paid to customers on their respective deposits.

Deposits are maintained in a separate bank account and accounted for in a separate general ledger account. A bank to book reconciliation is performed monthly by the PCUC staff.

Deposits are not refunded at the end of any stated period of time. The purpose of a deposit is simply a "safeguard" measure. In other words the deposit is utilized to offset any potential loss of, at the very least, one month of revenue in the event a customer moves owing the Commission.

Deposits are held indefinitely or until a customer signs a disconnect notice. Once the disconnect notice is signed the Commission's Customer Service Representative (CSR) will make the determination as to a full deposit refund being issued to the customer or a deposit refund net of the customer's last utility service bill.

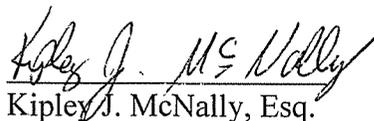
WITNESS: David M. Ellis

b. Describe the differences between Prestonsburg's policies regarding interest on customer deposits with the requirements contained in the Commission regulations.

RESPONSE: Prestonsburg does not pay interest on deposits.

WITNESS: David M. Ellis

Respectfully submitted,



Kipley J. McNally, Esq.

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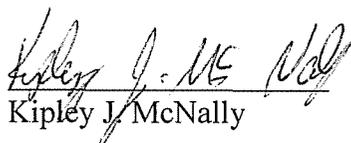
Fax: (502) 245-1974

Counsel for Prestonsburg City's
Utilities Commission

Date submitted: February 21, 2008

CERTIFICATE OF SERVICE

I hereby certify that the foregoing has been served by electronic mail on Bruce F. Clark, Esq., Stites & Harbison, PLLC, 421 West Main Street, Frankfort, Kentucky 40601, on the 21st day of February, 2008.



Kipley J. McNally